

Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 103259 TOSEC 110336

FOLLOWING IS REPEAT MANILA 5848, SENT SECSTATE, INFO GENEVA
APRIL 28:

QUOTE C O N F I D E N T I A L MANILA 5848

E.O. 11652: GDS

TAGS: EGEN, ETRD, RP, US

SUBJECT: US-GOP ECONOMIC NEGOTIATIONS

1. DURING CONVERSATION WITH PRESIDENT MARCOS APRIL 28,
I REVIEWED PROGRESS WHICH HAD BEEN MADE IN ECONOMIC
DISCUSSIONS HELD IN WASHINGTON EARLIER THIS MONTH. I
SAID I FELT I COULD SEE THE SHAPE OF AN ECONOMIC
AGREEMENT AND WAS OPTIMISTIC WE COULD ACHIEVE ONE IN THE
NEXT FEW MONTHS.

2. IN DESCRIBING THE POTENTIAL AGREEMENT, I SAID THERE
WERE THREE ELEMENTS: (A) TARIFF CONCESSIONS, (B) GSP
COMPETITIVE NEED WAIVERS, AND (C) AN "ECONOMIC
COOPERATION" TEXT WHICH INCLUDED PROVISIONS ON INVESTMENT.

3. ON TARIFF CONCESSIONS, I POINTED OUT THAT AMBASSADOR
VEGA APPEARED TO HAVE NO FLEXIBILITY IN HIS INSTRUCTIONS
DURING THE WASHINGTON SESSIONS. HE WAS UNABLE TO OFFER
ANYTHING EXCEPT TO BIND EXISTING TARIFFS, SOME OF THEM
AT 100 PERCENT DUTY. MOREOVER, THE OFFER AND REQUEST
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LISTS NEEDED TO BE BROUGHT INTO BETTER BALANCE. I FELT,

IF THESE STEPS WERE TAKEN, WE COULD MEET THE TRULY
IMPORTANT PHILIPPINE TARIFF DESIRES, SUCH AS COCONUT OIL
AND MAHOGANY PLYWOOD.

4. ON GSP WAIVERS, I SAID A BLANKET WAIVER WAS IMPOSSIBLE.
HOWEVER, WE WERE WILLING TO EXAMINE THE POSSIBILITY OF
SPECIFIC WAIVERS. IT WAS NECESSARY TO UNDERSTAND,
HOWEVER, THAT NO RPT NO WAIVERS WERE POSSIBLE UNDER OUR
LEGISLATION IN THE ABSENCE OF A BROAD ECONOMIC AGREEMENT,
WHICH WOULD INCLUDE PROVISIONS ON INVESTMENT.

5. ON INVESTMENT, I SAID THAT OUR NEGOTIATORS HAD BEEN
WILLING TO FALL OFF OUR TRADITIONAL INSISTANCE ON
"NATIONAL TREATMENT," IF WE COULD HAVE A PROVISION ON
"NON-DISCRIMINATION." I DESCRIBED THE GENERAL CONCEPT
WHICH HAD BEEN BORROWED FROM THE TAX TREATY AND EXPANDED
IN SUCH A WAY THAT THE AGREEMENT WOULD SPELL OUT THE WAYS
IN WHICH THE PHILIPPINES WOULD BE PERMITTED TO DISCRIMINATE
IN FAVOR OF FILIPINO INVESTORS. THIS DESCRIPTION WOULD
CONSTITUTE THE GROUND RULES FOR U.S. INVESTORS.

6. MARCOS GRASPED THE IMPORT OF THESE PROPOSALS AND SAID
IT LOOKED TO HIM AS THOUGH AS AGREEMENT WAS WORKABLE.
I SAID THE PHILIPPINES COULD PROBABLY GET MANY OF THE
TARIFF CONCESSIONS IT WANTS IN THE MTN NEGOTIATIONS IN
GENEVA, BUT THAT IT CAN NOT RPT NOT GET GSP WAIVERS
WITHOUT AN ECONOMIC AGREEMENT WHICH INCLUDES INVESTMENT
PROVISIONS. MARCOS INDICATED THAT HE WISHED TO PURSUE
THE ENTIRE PACKAGE RATHER THAN THE LIMITED TARIFF
ARRANGEMENTS THAT MIGHT BE POSSIBLE IN GENEVA.

5. IN PURSUIT OF THIS AIM, MARCOS SAID HE WOULD SEE THAT
NEW INSTRUCTIONS ARE PREPARED TO GIVE HIS NEGOTIATORS
MORE FLEXIBILITY. HE INDICATED THAT HE HOPED THE ECONOMIC
AGREEMENT COULD BE SIGNED IN THE SAME TIME FRAME AS
THE MILITARY BASE AGREEMENT SOMETIME THIS SUMMER. AS I
LEFT HIS OFFICE, MARCOS SUMMONED DIRECTOR OF ECONOMIC
DEVELOPMENT SICAT TO GIVE HIM INSTRUCTIONS CONCERNING
THE DEVELOPMENT OF THE PHILIPPINE NEGOTIATING POSITION.
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